

CALIFORNIA HOUSING FINANCE AGENCY

September 29, 1977

To the Honorable Members of the
Board of Directors of the
California Housing Finance Agency

Dear Board Members:

By this letter I hereby respectfully decline to take the action ordered by the Board in its Resolution No. 77-27 ("Resolution") as amended by Resolution No. 77-71 ("Resolution").

This Resolution, adopted in accordance with the terms of an authority vested in the California Housing Finance Agency ("Agency") under the Zenovich-Moscone-Chacon Housing and Home Finance Act ("Act") and subsequent amendments and supplementary laws, and pursuant to the authority of the Multi-Family Housing Finance Program Notes Resolution adopted by the Agency on January 18, 1977, as amended, authorizes the issuance, sale and delivery of \$3,750,000 of Agency Multi-Family Housing Finance Program Notes, 1977 Series AA ("1977 Series AA Notes").

The proceeds from the sale of these 1977 Series AA Notes, as provided in the Resolution at Article III, Section 301, may be used only to finance a housing development, to be designated by the President of the Agency, which has been determined by the Legislature in the "Public Housing Election Implementation Law" (1976 Stats., C. 1339) not to be a "low-rent housing project" under Article XXXIV, Section 1 of the Constitution of the State of California, and, therefore not subject to approval by local electorates. The criteria which such development must meet in order not to be subject to the local election requirements of Article XXXIV, Section 1, are set out in the Resolution at Article III, Section 301, in the exact language of this Public Housing Election Implementation Law as codified at Health and Safety Code, Section 37001(a), which provides in relevant parts that:

"The term 'low-rent housing project' as defined in Section 1 of Article XXXIV of the State Constitution, does not apply to any development composed of urban or rural dwellings, apartments, or other living accommodations, which meets * * * the following criteria:

"(a)(1) The development is privately owned housing, receiving no ad valorem property tax exemption not fully reimbursed to all taxing entities; and (2) not more than 49 percent of the dwellings, apartments or other living accommodations of such development may be occupied by persons of low income; * * *."

Section 301 further states that the development to be assisted with the proceeds of 1977 Series AA Notes shall be funded without regard to whether such development has received voter approval under an election pursuant to Article XXXIV, Section 1, if it satisfies these criteria.

The Resolution at Article II, Section 208, orders me "to cause within fifteen (15) days of the adoption of this Resolution to be lithographed, printed or engraved a sufficient number of 1977 Series AA Notes" for the purposes of the Resolution.

Although I am mindful of the mandate of the California State Legislature in the Act to provide for a comprehensive statewide program of housing for persons of low and moderate income (see, e.g., Health and Safety Code, Sections 41001, 41002 and 41006); and, although I am mindful of the Legislative findings in the Public Housing Election Implementation Law (see, Health and Safety Code, Section 37000), provisions in the Act as amended and supplemented and regulations of the Agency purporting to satisfy the terms of and considerations embodied in Article XXXIV, and, of the difficulties created by Article XXXIV in fulfilling the mandate of the Legislature, I am advised by counsel that said Act, Law and regulations may exceed the constitutional scope of power of the Legislature and Agency in their terms and/or in their application to the development covered in the Resolution since they may conflict with Article XXXIV of the California Constitution. Therefore, on the advice of counsel, I must respectfully decline to take the action directed by Resolution No. 77-27, Section 208, based upon this conflict with Article XXXIV.

The relevant portions of Article XXXIV with which the conflict may exist are as follows:

"Section 1. No low rent housing project shall hereafter be developed, constructed, or acquired in any manner by any state public body until, a majority of the qualified electors of the city, town or county, as the case may be, in which it is proposed to develop, construct, or acquire the same, voting upon such issue, approve such project by voting in favor thereof at an election to be held for that purpose, or at any general or special election.

"For the purposes of this article the term 'low rent housing project' shall mean any development composed of urban or rural dwellings, apartments or other living accommodations for persons of low income, financed in whole or in part by the Federal Government or a state public body or to which the Federal Government or a state public body extends assistance by supplying all or part of the labor, by guaranteeing the payment of liens, or otherwise. * * *

"For the purposes of this article only, 'persons of low income' shall mean persons or families who lack the amount of income which is necessary (as determined by the state public body developing, constructing, or acquiring the housing project) to enable them, without financial assistance to live in decent, safe and sanitary dwellings, without overcrowding.

"For the purposes of this article the term 'state public body' shall mean this State or any city, city and county, county, district, authority, agency, or any other subdivision or public body of this State.

"For the purposes of this article the term 'Federal Government' shall mean the United States of America, or any agency or instrumentality, corporate or otherwise, of the United States of America."

The Supreme Court of the State of California in California Housing Finance Agency v. Elliott (1976) 17 Cal.3d 575, decided July 21, 1976, held that the local

election requirement of Article XXXIV, Section 1, must be read into the Act, and, that they found "no basis in law or principle on which we may exempt the Act, the resolutions or the programs envisioned thereby from the application of article XXXIV, section 1" (17 Cal.3d at 592). The "resolutions" being considered by the Court at that time allowed up to seventy-five percent of the housing units in the developments to be leased to low-income tenants and did not contain the same restrictive criteria of the Public Housing Election Implementation Law. The Court, although requiring local elections under Article XXXIV, Section 1, stated "[w]e reserve for a future determination the question--may a housing project which consists of a relatively small portion of low-income tenants be deemed a 'low-rent housing project' within the meaning of article XXXIV, section 1?" No such determination has since been rendered by the Supreme Court or any other court of this State.

The California Constitution, at Article XXXIV, Section 2 states:

"The provisions of this article shall be self-executing but legislation not in conflict herewith may be enacted to facilitate its operation."

The Public Housing Election Implementation Law, as contained in Health and Safety Code, Sections 37000 through 37002, and 41056, became effective January 1, 1977, and was purportedly enacted under the authority vested in the Legislature by the language of Article XXXIV, Section 2 in order "to clarify ambiguities relating to the scope of the applicability of article XXXIV which now exist (Health and Safety Code, Section 37000)." This law, under which the Agency would claim exemption from the ambit of Article XXXIV, Section 1, for the development to be financed by 1977 Series AA Notes, was enacted after consideration by the Legislature of certain factors set out at Health and Safety Code, Sections 37000 and 37001 which they believed were the basis for the passage of Article XXXIV. Such factors were included in the legislative findings, declarations and requirements that Agency developments would be different from the low-rent housing projects covered by Article XXXIV and comparable to market rate housing because of their "architecture, design and locational standards as well as the level of amenities provided" (Health and Safety Code, Section 37000); because the housing would be privately owned (Health and Safety Code, Sections 37000 and 37001(a)(1)); because the developments would receive no ad valorem property

tax exemption not fully reimbursed to all taxing entities (Health and Safety Code, Sections 37000 and 37001(a)(1)); and, because not more than forty-nine percent of the units in the developments could be occupied by persons of low income (Health and Safety Code, Section 37001(a)(2)).

Such findings, declarations and requirements of the Legislature, however, cannot, and do not establish an exemption from Article XXXIV, Section 1 for the project covered by 1977 Series AA Notes.

The judiciary, not the legislature, is the final interpreter of the State Constitution, and it is the duty of the courts to strike down any legislation which contravenes the Constitution (see, Johnson v. Goodyear Mining Co. (1899) 127 C. 4; Fowler v. Peirce (1852) 2 C. 165).


The policy behind a constitutional provision, moreover, cannot be considered when its language is plain and positive and the provisions to be interpreted are self-executing, as in Article XXXIV (see, State Board of Education v. Levit (1959) 52 Cal.2d 441; People v. Santa Clara (1951) 37 Cal.2d 335).

Even if the Legislature were free to define the term "low-rent housing project" as contained in Article XXXIV, Section 1, the development on which the proceeds of the 1977 Series AA Notes will be expended will not satisfy the considerations for which Article XXXIV was passed, either as these considerations are contained in the history and interpretation of Article XXXIV, or as they were explicitly set out by the California Supreme Court in California Housing Finance Agency v. Elliott, supra. In sum, the findings and requirements of the Public Housing Election Implementation Law do not, in the words of the Court in Elliott, "substantially affect either the basic character of the low-rent housing program or its potential impact on the community (17 Cal.3d at 592)."

Finally, there is no other authority in case law or opinions of the California Attorney General supporting the exemption of a development complying with the terms of the Public Housing Election Implementation Law from Article XXXIV, Section 1 (see, e.g., Winkelman v. City of Tiburon (1973) 32 Cal.App.3d 834; Board of Supervisors v. Dolan (1975) 45 Cal.App.3d 237; 55 Ops.Cal.Atty.Gen. 13 (1972); 42 Ops.Cal.Atty.Gen. 189 (1963)).

For the foregoing reasons, until judicial interpretation of Article XXXIV, Section 1, and the constitutionality of the terms and application of the laws upon which the Board bases Resolution No. 77-27 as amended by Resolution No. 77-71 are decided, the 1977 Series AA Notes do not appear to have been authorized for a constitutional purpose. I must, therefore, respectfully decline to allow their issuance under the terms of the Resolution by refusing to cause such Notes to be printed.

Very truly yours,


FRANK M. PATITUCCI
President

VOIDED
7-25-77

RESOLUTION NUMBER 77-27
of the
CALIFORNIA HOUSING FINANCE AGENCY

Series Resolution Authorizing the
Issuance, Sale and Delivery of
\$3,750,000 California Housing Finance Agency
Multi-Family Housing Finance Program Notes,
1977 Series AA

Adopted July 19, 1977

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SERIES RESOLUTION AUTHORIZING THE
ISSUANCE, SALE AND DELIVERY OF
\$3,750,000 CALIFORNIA HOUSING FINANCE AGENCY
MULTI-FAMILY HOUSING FINANCE PROGRAM NOTES,
1977 SERIES AA

WHEREAS, the Legislature of the State of California has enacted the Zenovich-Moscone-Chacon Housing and Home Finance Act and subsequent amendments and supplementary laws to provide a comprehensive and balanced approach to the solution of housing problems of very low income households and persons and families of low or moderate income throughout the State of California; and

WHEREAS, this Board of Directors of the California Housing Finance Agency has determined to provide for the issuance of Multi-Family Housing Finance Program Notes, the proceeds of which are to be used toward the purpose of providing a comprehensive and balanced approach to the solution of such housing problems; and

WHEREAS, this Board of Directors of the California Housing Finance Agency has determined that this Resolution is both necessary and proper to providing a comprehensive and balanced approach to the solution of such housing problems;

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CALIFORNIA HOUSING FINANCE AGENCY, as follows:

ARTICLE I

DEFINITIONS AND AUTHORITY

101. Definitions. (a) Except as provided in paragraph (b) of this Section, all defined terms contained in the "Multi-Family Housing Finance Program Note Resolution" adopted by the Agency on January 18, 1977, and amended by the Agency on March 15, 1977 and May 17, 1977 (the "Resolution") shall have the same meanings in this 1977 Series AA Resolution as such defined terms are given in the Resolution, unless the context shall otherwise require.

(b) As used in this 1977 Series AA Resolution the following terms shall have the following respective meanings:

"1977 Series AA Notes" means one of the Series of Notes authorized by this 1977 Series AA Resolution and designated "California Housing Finance Agency Multi-Family Housing Finance Program Notes, 1977 Series AA."

"Notice of Sale" means the Official Notice of Sale and Proposal for Notes, to be published by the State Treasurer.

(c) The terms "hereby," "hereof," "hereto," "herein," "hereunder," and any similar terms, as used in

this 1977 Series AA Resolution, refer to this 1977 Series AA Resolution.

(d) Articles and sections referred to by number shall mean the corresponding articles and sections of this 1977 Series AA Resolution.

102. Authority for 1977 Series AA Resolution. The 1977 Series AA Resolution is adopted pursuant to the provisions of the Act and the Resolution.

ARTICLE II

AUTHORIZATION, TERMS, ISSUANCE, SALE AND DELIVERY OF 1977 SERIES AA NOTES

201. Authorization of Series AA Notes, Principal Amount and Designation. In order to provide sufficient funds necessary for the construction of the hereinafter described housing development and in order to utilize currently available subsidies, in accordance with and subject to the terms, conditions and limitations established in the Resolution and this 1977 Series AA Resolution, a series of California Housing Finance Agency Multi-Family Housing Finance Program Notes are hereby authorized to be issued in the aggregate principal amount initially of three million seven hundred fifty thousand dollars (\$3,750,000). The Agency is of the opinion and hereby ratifies its previous

determination that the issuance of Notes in the said amount is necessary to provide sufficient funds to be used and expended for a Project Loan for financing of the construction of the said housing development. In addition to the title "California Housing Finance Agency Multi-Family Housing Finance Program Notes," such Series of Notes shall bear the additional designation, "1977 Series AA."

202. Purposes. The purpose for which the 1977 Series AA Notes are being issued is to provide funds for deposit in the Construction Loan Account established herein for such Series, subject to the limitations and provisions set forth in Article IV of the Resolution and in the amounts determined by or pursuant to Article III hereof.

203. Issue Date. The 1977 Series AA Notes shall be dated the date of the delivery thereof.

204. 1977 Series AA Notes. The 1977 Series AA Notes shall mature one (1) year after the date of delivery thereof and shall bear interest from its date until the discharge of the principal obligations thereof, payable at maturity or earlier redemption thereof. The 1977 Series AA Notes shall bear interest at the rate per annum set forth in the certificate of the State Treasurer referred to in Section 207. Both principal and interest on the 1977 Series AA Notes are payable at the principal office of the Trustee in Sacramento, California.

205. Denominations, Numbers and Letters. Each Series of the 1977 Series AA Notes shall be issued in denominations of not less than \$500,000 or the principal amount of such Series. The Series of 1977 Series AA Notes shall be numbered from one (1) consecutively upwards within such Series with the letter designation preceding each number.

206. Redemption. (a) The 1977 Series AA Notes shall be subject to redemption at the election of the Agency as a whole or in part on any date before the date nine (9) months after their date upon notice as provided in Article III of the Resolution, at a Redemption Price equal to the principal amount of each such Note or portion thereof to be redeemed plus a premium of one-fourth of one percent ($1/4$ of 1%) of said principal amount, plus accrued interest to the date of redemption.

(b) The 1977 Series AA Notes are also subject to redemption at the election of the Agency as a whole or in part on any date on or after nine (9) months after their date upon notice as provided in Article III of the Resolution, at a Redemption Price equal to the principal amount of each such Note or portion thereof to be redeemed, plus accrued interest to the date of redemption.

(c) The 1977 Series AA Notes are also subject to redemption at the election of the Agency as a whole on any

date upon determination by the Agency evidenced by a certificate of an Authorized Officer stating that the Agency is unable to apply as planned the unexpended proceeds of the Notes of such Series to the financing of construction of the housing development herein described to be financed with such proceeds and upon notice as provided in Article III of the Resolution, at a Redemption Price equal to the principal amount of each such Note to be redeemed, plus accrued interest to the date of redemption.

207. Sale and Delivery. (a) The authority heretofore granted to and the actions heretofore taken by the State Treasurer with respect to offering for sale the 1977 Series AA Notes are hereby ratified and approved and the State Treasurer is hereby further authorized and directed to sell and deliver said 1977 Series AA Notes at the time and place and in accordance with the terms and conditions set forth in the Notice of Sale. The bid check received by the Trustee under the terms of the Notice of Sale, being the good faith deposit of the successful bidder, shall be cashed and the proceeds deposited by the Trustee in a special trust account and the amount of said check shall be applied at the time of delivery as part of the purchase price of the 1977 Series AA Notes or returned to said bidder as provided in the Notice of Sale.

(b) The sale of the 1977 Series AA Notes shall be evidenced by a certificate of the State Treasurer filed with the Agency. Said certificate shall state with respect to the 1977 Series AA Notes: (i) the name of each bidder submitting a bid and the net interest cost to the Agency that would result if such bid were accepted, (ii) the name of the successful bidder, the premium, if any, and the interest rate per annum specified in such bid, and (iii) such other matters as the State Treasurer shall determine to be in the best interest of the Agency provided that the same are not in conflict with the Act, the Resolution or this 1977 Series AA Resolution.

208. Order to Print 1977 Series AA Notes. The Chairperson of this Board of Directors is hereby authorized and directed to cause within fifteen (15) days of the adoption of this Resolution to be lithographed, printed, or engraved a sufficient number of 1977 Series AA Notes for the carrying out of this Resolution.

209. Further Authority. Any Authorized Officer of the Agency is hereby authorized in the name and on behalf of the Agency to do or perform all such acts and to execute and deliver any and all such certificates, documents and other instruments as he deems necessary or appropriate in connection with the issuance, sale and delivery of the 1977

Series AA Notes. For purposes of execution and delivery of documents related to the delivery of the 1977 Series AA Notes, Pat Goeters, Stuart Honse, Frank Lee and Bernard J. Mikell are each hereby authorized to act as an Authorized Officer.

210. Execution of 1977 Series AA Notes. Anthony M. Frank, a member of the board of directors of the Agency, or in his absence Stuart Honse, is hereby authorized to act as an Authorized Officer and directed to attest by manual signature to the impressing of the corporate seal of the Agency on the 1977 Series AA Notes in accordance with the provisions of Section 303 of the Resolution.

211. Ratification. All actions heretofore taken by members, officers, agents and employees of the Agency with respect to the Program and the issuance, sale and delivery of the 1977 Series AA Notes are hereby ratified, approved and confirmed.

ARTICLE III

ESTABLISHMENT OF ACCOUNTS AND APPLICATION OF THE PROCEEDS OF THE 1977 SERIES AA NOTES

301. Establishment of Accounts in the Construction Loan Fund. An account called the "1977 Series AA Multi-Family Construction Loan Account" is hereby established in the Construction Loan Fund, into which account the proceeds

of the sale of the 1977 Series AA Notes (including any accrued interest) shall be deposited. Moneys in said account shall be used only to finance a housing development designated by the President of the Agency which (a) is composed of urban or rural dwellings, apartments or other living accommodations, and, (b) meets the following criteria: (i) such development is privately owned housing, receiving no ad valorem property tax exemption not fully reimbursed to all taxing entities, and, (ii) not more than forty-nine percent (49%) of the dwelling, apartments or other living accommodations of such development may be occupied by persons of low income.

302. Establishment of Accounts in the Revenue Fund. There is hereby established a Revenue Account for the 1977 Series AA Notes, bearing the series designation of such Series, into which the Agency shall deposit or cause to be deposited Revenues as received with respect to the housing development described above and any other amounts required to be deposited therein pursuant to the Resolution.

303. Establishment and Pledge of Supplementary Reserve Sub-Account. There is hereby established in the Supplementary Reserve Account a separate sub-account designated the "1977 Series AA Multi-Family Housing Finance Program Notes Supplementary Reserve Sub-Account." At the time of

delivery of the 1977 Series AA Notes three hundred seventy five thousand dollars (\$375,000), representing an amount equal to ten percent (10%) of the original principal amount of the 1977 Series AA Notes, shall be set aside within the Supplementary Reserve Account and deposited into said Sub-Account. Amounts in said Sub-Account are hereby pledged to secure the payment of the principal of and interest on 1977 Series AA Notes in the manner and subject to the terms and conditions set forth in the Resolution.

ARTICLE IV

FORM OF 1977 SERIES AA NOTES

401. Form of Notes. Subject to the provisions of the Resolution, the 1977 Series AA Notes shall be in substantially the following form:

[Form of Note]

THE TRANSFER OF THIS NOTE IS RESTRICTED AS
MORE FULLY SET FORTH HEREIN

No. _____ \$ _____

CALIFORNIA HOUSING FINANCE AGENCY

MULTI-FAMILY HOUSING FINANCE PROGRAM NOTE

1977 SERIES AA

California Housing Finance Agency (the "Agency"),
a public instrumentality and political subdivision of the

State of California, acknowledges itself indebted, and for value received hereby promises to pay, solely from the sources hereinafter mentioned, to _____ or registered assigns, upon presentation and surrender of this Note, the principal sum of _____ on the ____ day of _____, 1978, unless redeemed prior thereto as hereinafter provided, and to pay solely from said sources interest thereon to the registered owner hereof from the date hereof until the Agency's obligation with respect to the payment of such principal sum shall be discharged, at the rate of _____ percent (____%) per annum, payable at the maturity of this Note. Principal and interest and redemption premium, if any, on this Note are payable in any coin or currency of the United States of America which, on the respective dates of payment thereof, shall be legal tender for the payment of public and private debts at the principal office of the Trustee, the Treasurer of the State of California, in Sacramento, California.

This Note is one of the Notes of the Agency designated "California Housing Finance Agency Multi-Family Finance Program Notes" (herein called the "Notes"), issued under and by virtue of the Zenovich-Moscone-Chacon Housing and Home Finance Act, constituting Division 31 (commencing with Section 41000) of the Health and Safety Code of the

State of California, and all laws supplementary thereto and amendatory thereof (the "Act"), and the Multi-Family Housing Finance Program Note Resolution of the Agency adopted January 18, 1977 (the "General Note Resolution").

This Note is one of a series of Notes additionally designated "1977 Series AA" (herein called the "1977 Series AA Notes") initially issued in the aggregate principal amount of three million seven hundred fifty thousand dollars (\$3,750,000) under the General Note Resolution and the Series Resolution Authorizing the Issuance, Sale and Delivery of three million seven hundred fifty thousand dollars (\$3,750,000) California Housing Finance Agency Multi-Family Housing Finance Notes, 1977 Series AA, adopted July 19, 1977 (the "Series Note Resolution," together with the General Note Resolution, the "Resolutions"). Copies of the Resolutions are on file at the office of the Agency in Sacramento, California and at said principal office of the Trustee, and reference to the Resolutions and any and all supplements thereto and modifications and amendments thereof and to the Act is made for a description of the terms and conditions upon which the Notes are issued and may be issued thereunder, and to all of the provisions of which the owner of this Note, by acceptance hereof, assents and agrees.

This Note is a general obligation of the Agency, payable from any assets of the Agency pledged to the 1977

Series AA Notes and from any other assets of the Agency not heretofore or hereafter pledged or encumbered to secure any other Indebtedness (as this term is defined in the General Note Resolution). This Note is additionally secured in the manner and to the extent set forth in the Resolutions.

This Note is issued to finance the construction of a housing development which (a) is composed of urban or rural dwellings, apartments or other living accommodations, and, meets the following criteria: (i) such development is privately owned housing, receiving no ad valorem property tax exemption not fully reimbursed to all taxing entities, and, (ii) not more than forty-nine percent (49%) of the dwellings, apartments or other living accommodations of such development may be occupied by persons of low income.

Subject to the conditions, and upon the payment of the charges, if any, provided in the General Note Resolution, this Note, upon surrender hereof at said principal office of the Trustee with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or his attorney duly authorized in writing, may be exchanged for an equal aggregate principal amount of 1977 Series AA Notes of other authorized denominations.

This Note is transferable, as provided in the General Note Resolution, only upon the books of the Trustee by the registered owner hereof in person, or by his attorney

duly authorized in writing, upon the surrender of this Note together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his attorney duly authorized in writing, and thereupon a new registered 1977 Series AA Note or Notes in the same aggregate principal amount shall be issued to the transferee in exchange therefor subject to the conditions and upon the payment of charges, if any, provided in the General Note Resolution. THE PURCHASER OF THIS NOTE AGREES AND ANY TRANSFEREE SHALL AGREE, BY ACCEPTING THIS NOTE, THAT ANY RESALE HEREOF SHALL BE TO A SINGLE PURCHASER AND SHALL CONSIST OF ALL NOTES THEN OUTSTANDING ISSUED UNDER THE SERIES NOTE RESOLUTION.

Pursuant to the Series Note Resolution, the 1977 Series AA Notes shall be subject to redemption at the election of the Agency as a whole or in part on any date before nine (9) months after the date hereof upon mailed notice as provided in the General Note Resolution, at a redemption price equal to the principal amount of each such Note or portion thereof to be redeemed plus a premium of one-fourth of one percent ($1/4$ of 1%) of said principal amount, plus accrued interest to the date of redemption.

In addition, the 1977 Series AA Notes are subject to redemption at the election of the Agency as a whole or in

part on any date on or after nine (9) months after the date hereof upon mailed notice as provided in the General Note Resolution, at a redemption price equal to the principal amount of each such Note or portion thereof to be redeemed, plus accrued interest to the date of redemption.

In addition, the 1977 Series AA Notes are also subject to redemption at the election of the Agency as a whole on any date upon determination by the Agency that it is unable to apply as planned unexpended proceeds of such Series of Notes to the financing of construction of the above-referenced housing development and upon mailed notice as provided in the General Note Resolution, at a redemption price equal to the principal amount of each such Note to be redeemed, plus accrued interest to the date of redemption.

This Note shall not be deemed to constitute a debt or liability of the State of California or any political subdivision thereof, other than the Agency, or a pledge of the faith and credit of the State of California or of any such political subdivision, other than the Agency to the extent herein provided, but shall be payable solely from funds provided therefor pursuant to the General Note Resolution. Neither the faith and credit nor the taxing power of the State of California is pledged to the payment of the principal of or interest on this Note.

As provided in the Act, this Note is fully negotiable within the meaning and for all purposes of the Uniform Commercial Code of the State of California subject only to the provisions for registration, and each owner of this Note, by accepting this Note, shall be conclusively deemed to have agreed that this Note is fully negotiable for those purposes.

Neither the directors or officers of the Agency nor any person executing the Notes shall be liable personally on the Notes or be subject to any personal liability or accountability by reason of the issuance thereof.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution and statutes of the State of California, the General Note Resolution and the Series Note Resolution to exist, to have happened and to have been performed precedent to and in the issuance of this Note, exist, have happened and have been performed in due time, form and manner as required by law and that the issue of the Notes of which this is one, together with all other indebtedness of the Agency, is within every debt and other limit prescribed by said Constitution, statutes or the General Note Resolution.

IN WITNESS WHEREOF, the California Housing Finance Agency has caused this Note to be executed in its name by

the manual or facsimile signature of its Chairperson and its corporate seal to be impressed, affixed, imprinted, engraved or otherwise reproduced hereon and attested by the manual signature of an Authorized Officer all as of the ____ day of _____, 1977.

CALIFORNIA HOUSING FINANCE AGENCY

By _____
Chairperson

(SEAL)

ATTEST:

Authorized Officer

ARTICLE V

MISCELLANEOUS

501. No Recourse on 1977 Series AA Notes. No recourse shall be had for the payment of the principal or redemption price of or interest on the 1977 Series AA Notes or for any claim based thereon or on the 1977 Series AA Resolution against any director or officer of the Agency or any person executing the 1977 Series AA Notes and neither the directors of the Agency nor any person executing the

1977 Series AA Notes shall be liable personally on the 1977 Series AA Notes by reason of the issuance thereof.

The officers of the Agency shall be and each of them is hereby authorized and directed to execute and deliver such Project Documents, Development Agreements and Escrow Agreements and such other documents and agreements in the name and on behalf of the Agency which they deem necessary, appropriate or desirable, their approval of such documents and agreements to be conclusively evidenced by their execution thereof of such Project Documents, Development Agreements or Escrow Agreements, respectively, as so added to or changed.

502. Effective Date. This resolution shall take effect immediately.

CERTIFICATE OF SECRETARY

I, Stuart Honse, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true and correct copy of a resolution duly adopted at a meeting of the Board of Directors of the California Housing Finance Agency duly called and held in Sacramento, California, on the 19th day of July, 1977, of which meeting all of said directors had due notice; and that at said meeting said resolution was adopted by the following vote:

AYES: *FRANK; O'CONNOR; Silberman (by Thoke); Solinas; STEINBERG; Urrut*

NOES: *ELLIOTT*

ABSTENTION: *None*

ABSENT: *Barker; MAZER; Ramos; Robinson*

I further certify that I have carefully compared the foregoing copy with the original minutes of said meeting on file and of record in my office; that said copy is a full, true and correct copy of the original resolution adopted at said meeting and entered in said minutes, and that said resolution has not been amended, modified or rescinded in any manner since the date of its adoption, and the same is now in full force and effect.

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this 19th day of July, 1977.

Stuart Honse

Secretary of the Board of
Directors of the California
Housing Finance Agency

(SEAL)